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BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 90-559-S & 90-560-S - ORDER NO. 91-413 ✓

MAY 31, 1991

IN RE: Applications of Fripp Island) ORDER APPROVING
Sewer System, Inc. and Harbor) CONSOLIDATION
Island Sewer System, Inc. for) AND RATES AND
Increases in Sewer Rates.) CHARGES

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of Application filed by Fripp Island Sewer System, Inc. and Harbor Island Sewer System, Inc. (the Companies, Fripp, Harbor) for approval of consolidation and of a new schedule of rates and charges for sewer customers on Fripp Island and Harbor Island, which are located in Beaufort County, South Carolina. The Company's application was filed pursuant to S.C. Code Ann. §58-5-240 (1976), as amended, and R.103-821 of the Commission's Rules of Practice and Procedure.

By letter dated December 19, 1990, the Commission's Executive Director instructed the Companies to publish a prepared Notice of Filing, one time, in a newspaper of general circulation in the areas affected by the Companies' application. The Notice of Filing indicated the nature of the Companies' application, and advised all interested parties desiring participation in the scheduled proceeding of the manner and time in which to file the appropriate pleadings. The Companies were likewise required to notify directly

all customers affected by the proposed rates and charges.

Petitions to Intervene were filed on behalf of Steven W. Hamm, the Consumer Advocate for the State of South Carolina (the Consumer Advocate); the Fripp Island Property Owners Association (FIPOA); Henry H. Shulte, Jr.; and Sharon Eastep. The Commission, by Order No. 91-364, allowed Sharon Eastep to later withdraw her intervention.

The Commission Staff made on-site investigations of the Companies' facilities, audited the Companies' books and records, and gathered other detailed information concerning the Companies' operations. The other parties likewise conducted their discovery in the rate filing.

A public hearing relative to the matters asserted in the Companies' application was held on April 17, 1991, at the Hearing Room of the Commission at 111 Doctors Circle, Columbia, South Carolina. Pursuant to §58-3-95 of the South Carolina Code, a panel of three Commissioners, composed of Commissioners Frazier, Butler and Fuller was designated to hear and rule on this matter. W. Brantley Harvey, Jr., Esquire, represented the Company; Carl F. McIntosh, Esquire, represented the Consumer Advocate; Ralph E. Tupper, Esquire, represented the Fripp Island Property Owners Association; Henry H. Shulte, Jr. appeared without counsel; and F. David Butler, Esquire, represented the Commission Staff.

The Companies' presented the testimony of R. Arnold Ellison, Jr., President of Community Services Management, Inc. (CSM), and David Christmas, Manager of the Fripp and Harbor Island Sewer

Systems, and Charles Redfern, CPA, (on rebuttal), to explain the services being provided by the Company, the financial statements and accounting adjustments submitted, the reasons for the requested rates, the cost of capital requirements, and the need for consolidation of the two sewer systems. The Consumer Advocate presented the testimony of Philip E. Miller of Riverbend Consulting, who analyzed the Company's application and revenue requirements. The Fripp Island Property Owners Association presented the testimony of Thomas W. Klein, Bertram J. Sandler, and David G. Kobick, who testified to the concerns of the customers regarding the proposed increase, and also presented information on revenue requirements and the financial statements and accounting adjustments put forth by the Company. Henry H. Shulte, Jr. presented a statement on his own behalf. The Commission Staff presented the testimony of I. Curtis Price, III, Public Utilities Accountant, and Charles Creech, Chief, Water and Wastewater Department, Utilities Division.

Mr. W. Brantley Harvey, Jr., attorney for the Companies, interposed an objection to the admission of FIPOA's witness Klein's exhibits (Hearing Exhibit 6), on the grounds that the material was hearsay. An examination of these documents reveals that they are essentially DHEC memoranda, FIPOA did not offer the authors of the memos as witnesses, but attempted to have the documents admitted under the auspices of Mr. Klein's testimony. The Commission agrees that the memoranda are hearsay, and, therefore, should be excluded. Harvey's objection is sustained and Hearing Exhibit 6 is hereby

excluded from the record.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Fripp Island Sewer System, Inc. and Harbor Island Sewer System, Inc. are separate corporations organized in the State of South Carolina, which fall under the jurisdiction of the Commission. Both utilities are owned by the same corporation, the Fripp Company, a South Carolina corporation. Fripp and Harbor are both sewer utilities operating in the State of South Carolina and are subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. §58-5-10 (1976) et seq. Application of the Company; Ellison and Christmas testimony.

2. Fripp Island Sewer System, Inc. provides sewer service to 604 customers on Fripp Island, South Carolina. Harbor Island Sewer System, Inc. provides sewer service to 238 customers on Harbor Island, Beaufort County, South Carolina. Hearing Exhibit No. 9.

3. Fripp Island Sewer System, Inc. provides sewer service under a schedule of rates and charges approved by the Commission in Docket No. 84-55-S, Order No. 84-890, dated October 30, 1984. Harbor Island Sewer System, Inc. provides sewer service under a schedule of rates and charges approved by the Commission in Docket No. 83-320-W/S, Order No. 84-210, dated March 14, 1984. Hearing Exhibit No. 8.

4. At present, Fripp Island Sewer System, Inc. charges a monthly rate of \$16.00 for both residential and commercial customers. Harbor Island Sewer System, Inc. charges a monthly rate of \$10.00 for both classes of customers. The Company proposes to

consolidate both systems into Fripp Island Sewer System, Inc. and has proposed uniform rates for the consolidated system. The Companies propose a monthly rate of \$24.50 for residential customers. For commercial customers, the Companies propose a minimum rate of \$24.50 for the first 10,500 gallons and a \$1.40 per 1,000 gallons in excess of 10,500 gallons. The Companies propose using the DHEC wastewater load allocation to define the rate. If approved, these rates would give the Companies additional revenues of \$64,664 annually for Fripp Island and \$41,412 for Harbor Island or an additional \$106,076 combined. This would amount to a 145% increase for Harbor Island and a 55.76% increase for Fripp. According to the Companies' application, such an increase would produce a combined operating margin of 20.2%. Application of Company; Hearing Exhibits 8 and 9.

5. The Companies propose the appropriate test period to consider their requested increase as a twelve-month period ending December 31, 1989. No objections were registered to the use of this twelve-month period. Application of Company; Testimony of Ellison.

6. The Companies assert that this requested rate increase is required because the revenues minus the operating expenses during the test year 1989 showed a loss of \$11,466 for Harbor Island Sewer System, Inc. and a gain of only \$957 for Fripp Island Sewer System. Further, retained earnings for both utilities at the beginning of the test year were negative. Also, the two utilities showed a combined negative operating margin of -2.3%. Testimony of Ellison.

7. The Companies propose five adjustments to their 1989 test year expenses. The first one involves professional fees associated with this rate case, estimated to be at \$4,000 to be divided equally by the two utilities over a three-year period. The second adjustment is to income taxes to be paid on a profit made after the rates are increased according to the Companies proposal. This amounts to \$2,980 for Harbor Island Sewer System and \$7,729 for Fripp Island Sewer System. The third adjustment is for CSM, Inc. to handle the utilities' billings and accounting. In prior years, billing and accounting was handled by Thomasson Properties, but this is no longer possible. The Company estimates that fees for services in this area will have totaled \$12,600 for Fripp Island Sewer System and \$8,640 for Harbor Island Sewer System annually. The fourth adjustment to rates was due to improvements made to the treatment plant at Fripp Island that, according to the Companies, were needed on an emergency basis. As a result of this, the Companies propose a depreciation adjustment of \$5,170. The fifth adjustment proposed by the Companies is the removal of a refund from an electric utility that was reported in income. This was reported as a refund for overcharges in a previous year. Testimony of Ellison.

8. The Companies propose that Fripp Island Sewer System and Harbor Island Sewer System be consolidated into one operation. The Companies urge consideration of the following factors: In March 1990, the Fripp Company acquired all of the outstanding stock of both sewer systems; the system at present has one manager; after

June 1986, the two systems shared the same management personnel and equipment. The Companies state that the merging of the two systems will avoid the necessity of attempting to allocate various costs between the two systems. The Companies also state that there would be an increased efficiency in administering the bookkeeping, accounting, and reporting functions. Application of Company; Testimony of Ellison and Christmas.

9. The Companies propose billing Beach Club Villas on Fripp Island as a regime, rather than providing individual unit owners of the condominium project with an individual bill. The reason for this is that if an individual unit owner refuses to pay the sewer bill, it has been impossible to discontinue the service to the individual unit. Testimony of Ellison.

10. For Fripp Island, the Staff computed a per book operating margin, after deducting interest of 0.81%. Accounting and pro forma adjustments increased income for return and decreased rate base, resulting in an as adjusted operating margin of 6.39%. After the proposed increase, income for return increased by \$46,896, net of taxes and customer growth, resulting in an operating margin of 30.06%. For Harbor Island, Staff computed a per book operating margin, after deducting interest expense of (34.65%). Accounting and pro forma adjustments decreased income for return and decreased rate base, resulting in an as adjusted operating margin of (72.34%). After the proposed increase, income for return increased by \$36,111, net of taxes and customer growth, resulting in an operating margin of 22.08%. On a combined basis, Staff computed a

per book operating margin, after deducting interest expense, of (6.65%). Accounting and pro forma adjustments decreased income for return and decreased rate base, resulting in an as adjusted operating margin of (9.22%). After the proposed increase, income for return increased by \$83,071, net of taxes and customer growth, resulting in an operating margin of 27.83%. Testimony of Price; Hearing Exhibit No. 8.

11. Under the Companies' presently approved rates, the Staff found that the Companies' as adjusted operating revenues for the test year were \$144,528 after accounting and pro forma adjustments. The Staff calculated the combined proposed increase to be in the amount of \$106,076. Hearing Exhibit 8.

12. The Companies assert that under their presently approved rates, their total combined operating expenses for the test year, after accounting and pro forma adjustments are \$189,495. Staff concluded that the Companies operating expenses for the test year, after accounting and pro forma adjustments, are \$153,606. Hearing Exhibit No. 8. Staff arrived at this amount after making the following adjustments to the Companies' expenses:

ACCOUNTING AND PRO FORMA ADJUSTMENTS

The format used by Staff was to set out individual accounting adjustments for each individual utility, followed by a showing of the combined effect. The evidence supporting these adjustments is found in the testimony and exhibits of Company witness Ellison, Christmas, and Redfern, Consumer Advocate witness Miller, FIPOA witnesses Sandler and Kobick, and Staff witnesses Price and Creech.

First, Staff proposed to annualize revenue at present rates. The proposed Staff adjustment is \$3,587 for Fripp Island, and a (\$4,528) adjustment for Harbor Island, with a net adjustment for the combined operations of (\$941). This appears to be reasonable, and is therefore adopted. The Companies and Staff propose to eliminate non-recurring refunds related mostly to prior periods. Staff and the Companies agreed that a (\$12,677) adjustment for Fripp Island Sewer System is appropriate, since this represents a refund from an overcharge by South Carolina Electric & Gas Company (SCE&G). Further, Staff proposes a (\$1,390) adjustment to operation and maintenance expenses, because of this refund and because this amount pertained to overcharges during the test year. The Commission approves these adjustments for the combined operations.

The Companies and Staff propose to adjust for charges related to utility billing and other accounting activities. Staff proposes to eliminate those expenses charged during the test year. For Fripp Island, the Staff proposes a \$6,000 adjustment, whereas the Companies propose a \$12,600 adjustment. For Harbor Island, Staff proposes a \$6,440 adjustment, whereas the Company proposes an \$8,640 adjustment. Combined, Staff proposes a \$12,440 adjustment, whereas the Companies propose a \$21,240 adjustment. The Consumer Advocate proposes an adjustment of (\$9,298). The Commission adopts Staff's adjustment in this case in that it is appropriate under Commission policy to deduct only the net increase in billing and accounting expenses, i.e., \$12,440.

Further, the Companies and Staff propose to amortize rate case

expenses over a three-year period. The Consumer Advocate has no objection. For Fripp Island, Staff proposes a \$525 adjustment, whereas the Companies propose a \$667 adjustment. The same proposal is made for Harbor Island. The combined adjustment as proposed by Staff is \$1,050 and for the Company, \$1,334. The Commission adopts the Staff adjustment since this figure accurately reflects a proper amortization of Staff verified rate case expenses over a three-year period.

Next, both Staff and the Company propose to adjust depreciation expense for improvements made to treatment plant after the test year. With regard to Fripp Island, Staff proposes an adjustment of \$2,777 to depreciation expense, \$34,071 to plant in service, and a (\$2,777) adjustment to accumulated depreciation for Fripp Island. The Company proposes adjustments of \$5,170, \$27,783, and \$0, respectively. With regard to Harbor Island, Staff proposes an adjustment of \$4,347 to plant in service only. Neither Staff nor the Companies proposed other depreciation adjustments under this category. Combined, the Staff proposals are a \$2,777 adjustment to depreciation, a \$38,418 adjustment to plant in service, and a (\$2,777) adjustment to accumulated depreciation. The Companies propose a combined adjustment of \$5,170 in depreciation, \$27,783 to plant in service, and \$0 to the combined accumulated depreciation account. The Consumer Advocate proposes a (\$24,022) adjustment to depreciation for the combined companies to eliminate all proposed depreciation. Hearing Exhibit No. 5. FIPOA proposed adjustments to depreciation of (\$920) for Harbor and

(\$17,932) for Fripp to eliminate Per Book Depreciation Expense. Again, the Commission adopts the Staff adjustments for depreciation in that the Commission believes that the Staff adjustments most accurately reflect the proper adjustment for depreciation expense for improvements made to the treatment plant after the test year and that the Commission Staff's adjustments were derived from known and measurable expenses. We trust that FIPOA's concerns regarding depreciation have been adequately addressed by our adoption of the Staff adjustment.

Staff proposes to reclassify expenses charged during the test year that should have properly been capitalized. Staff recommends a (\$1,058) adjustment to operation and maintenance expenses and a \$3,399 adjustment to plant in service for Fripp Island. For Harbor Island, Staff recommends a (\$2,341) adjustment to operation and maintenance. Combined, Staff recommends a total adjustment of \$3,399 to plant in service and (\$3,399) to operating and maintenance expenses. The Commission adopts both adjustments, since it believes that such expenses as determined by Staff should have properly been capitalized, but were not by the Companies. We note that FIPOA had proposed adjustments in this area, and we trust that our adoption of the Staff proposals address the Association's concerns in this area.

Staff proposes to adjust O&M expense for labor charges that should have been charged to other developer operations. Staff recommends a (\$786) adjustment for Fripp Island, an (\$85) adjustment for Harbor Island, for a total adjustment of (\$871) for

the combined operations. The Commission adopts these adjustments since Staff has documented that the dollars involved should have been charged to other developer operations.

Staff proposes to include labor expense incurred but not charged or paid by the utility during the test year. Staff recommends an adjustment of \$6,814 to O&M expenses for Fripp Island, a \$4,839 adjustment for Harbor Island, for a combined Staff adjustment of \$11,653. Since this labor expense was not paid or charged by the utility during the test year, the Commission adopts Staff's adjustment. FIPOA had proposed an adjustment of (\$1474.02) for "casual labor." Hearing Exhibit 7. The Commission does not believe this to be a correct figure since the Staff audit revealed the correct number to be (\$871), therefore, the adjustment must be rejected. However, FIPOA did not address the issue of Labor Expenses incurred but not paid by the utilities during the test year.

Staff proposes to eliminate the salary of an operator no longer with the Company and to annualize the current operator's salary. The Staff's proposed adjustment is (\$2,477) for Fripp Island and (\$1,151) for Harbor Island, for a total combined adjustment of (\$3,628). The Commission adopts this adjustment, since it is not proper for the Company to be charging for the salary of an operator no longer with the Company. Further, it is appropriate to annualize the current operator's salary.

Staff proposes to eliminate electric expense for golf course irrigation pumps, which was allocated 50% to Fripp Island and 25%

each to Harbor Island and the golf course. For Fripp Island, Staff recommends an adjustment of (\$5,284). For Harbor Island, Staff recommends an adjustment of (\$2,642). The total for the combined operation is (\$7,926). The Commission adopts this adjustment, since it believes that this electric expense for golf course irrigation pumps is not properly chargeable against either of the Companies or the combined Company and, therefore, is an appropriate adjustment. It is, therefore, adopted. The Commission notes that FIPOA had recommended slightly different adjustments, i.e., (\$5,747.31) for Fripp, (\$2,873.67) for Harbor, or (\$8,620.98) combined. We trust that our adoption of the Staff adjustment adequately addresses the FIPOA concern on this point.

Staff proposes to reduce depreciable plant by the cumulative amount of tap fees, contributions in aid of construction, forgiveness of debt, and an acquisition adjustment. The remaining depreciable plant balance of \$76,571 is represented by the assumption of a \$42,500 mortgage when the systems were purchased by the Fripp Company in 1990 and verifiable plant additions made after the test year included by Staff as a known and measurable change. This amount results in annual depreciation expense computed by Staff at \$2,777. With regard to Fripp Island, Staff proposes an adjustment of (\$17,932), an adjustment to accumulated depreciation of \$84,532 and an adjustment for contributions in aid of construction of (\$581,366). For Harbor Island, Staff proposes an adjustment of (\$920) to depreciation, an adjustment of \$2,245 to accumulated depreciation, and an adjustment of (\$30,318) for

contributions in aid of construction. The combined adjustments suggested by Staff are (\$18,852) for depreciation, \$86,777 for accumulated depreciation, and (\$611,684) for contributions in aid of construction. The Commission believes that tap fees, contributions in aid of construction, forgiveness of debt, and acquisition adjustments should not be included in depreciable plant calculations, therefore, these items are properly eliminated, and the Commission adopts the Staff's adjustments.

With regard to the effect of the proposed increase with related tax effects, both the Companies and Staff propose adjustments. With regard to Fripp Island, Staff proposes an adjustment of \$64,664, which is the effect of the proposed increase, \$582 for taxes other than income, and \$17,496 in income taxes. Under Harbor Island, the Staff recommends an adjustment of \$41,412 as the effect of the proposed increase, \$373 for other taxes, and \$4,993 for income taxes. The combined Staff recommendation is \$106,076, which is the effect of the proposed increase, \$955 under other taxes, and \$22,489 under income taxes. The Companies recommend under Fripp Island, an adjustment of \$68,264, the effect of the proposed increase, and \$7,729 under income taxes. Under Harbor Island, the Company recommends a \$36,884 adjustment under the effect of the proposed increase and a \$2,980 effect under income taxes. The combined Companies' recommendation is \$105,148 as the effect of the proposed increases, and \$10,709 as an adjustment for income taxes. The Consumer Advocate and FIPOA recommend that no income taxes be allowed for

the combined companies due to operating loss carryovers from prior years. The Commission adopts the Staff recommendation as the appropriate one, since, in the opinion of the Commission, it more accurately reflects the effect of the proposed increase with related tax effects. Hearing Exhibit 8. For tax purposes, the Commission has consistently treated utilities on a "stand-alone" basis and computed taxes based on test year revenues and expenses adjusted for known and measurable changes, including the approved increase, without considering prior years gains or losses of either parents or other subsidiaries, such as in consolidated tax returns, or whether or not the utility is a partnership, Subchapter S corporation, or other form of business.

The Commission is cognizant of the fact that FIPOA forwarded other proposals for accounting adjustments, i.e., (\$3,294) and (\$3,536.51) for Harbor and Fripp respectively for "improper expense charges"; net operation loss deductions of (\$3,974) and (\$17,496) for Harbor and Fripp respectively; and \$6,548 as a gross operating revenue increase for Fripp. Based, however, on an examination of Staff testimony, Hearing Exhibits 8 and 9, and the evidence as a whole, this Commission must reject these adjustments as being without merit. The Commission, however, commends FIPOA for a thorough and penetrating examination of Company documents in preparation for its participation in this case.

13. The Companies' appropriate total income for return for the test year, after accounting and pro forma adjustments is \$(9,078). Based upon the above determinations concerning the

accounting and pro forma adjustments to the Companies' revenues and expenses, the Commission concludes that the total income for return is as follows:

TABLE A

Operating Revenues	\$144,528
Operating Expenses	153,606
Net Operating Income	(9,078)
Customer Growth	-0-
Total Income for Return	<u>(9,078)</u>

14. Under the guidelines established in the decisions of Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679 (1923), and Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944), this Commission does not ensure through regulation that a utility will produce net revenues. As the United States Supreme Court noted in Hope, a utility "has no constitutional rights to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures." However, employing fair and enlightened judgment and giving consideration to all relevant facts, the Commission should establish rates which will produce revenues "sufficient to assure confidence in the financial soundness of the utility and . . . that are adequate under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties." Bluefield, supra, at 692-693.

15. There is no statutory authority prescribing the method which this Commission must utilize to determine the lawfulness of

the rates of a public utility. For a water and sewer utility whose rate base has been substantially reduced by customer donations, tap fees, contributions in aid of construction, and book value in excess of investment, the Commission may decide to use the "operating ratio" and/or "operating margin" method for determining just and reasonable rates. The operating ratio is the percentage obtained by dividing total operating expenses by operating revenues; the operating margin is determined by dividing the net operating income for return by the total operating revenues of the utility. This method was recognized as an acceptable guide for ratemaking purposes in Patton v. South Carolina Public Service Commission, 280 S.C. 288, 312 S.E.2d 257 (1984).

The Commission concludes that use of the operating margin is appropriate in this case. Based on the Company's gross revenues for the test year, after accounting and pro forma adjustments under the presently approved schedules, the Company's operating expenses for the test year after accounting and pro forma adjustments, and customer growth, the Company's present operating margin is as follows:

TABLE B
OPERATING MARGIN

BEFORE RATE INCREASE

Operating Revenues	\$144,528
Operating Expenses	153,606
Net Operating Income	<u>\$(9,078)</u>
Customer Growth	-0-
Total Income for Return	<u>\$(9,078)</u>
Operating Margin (After Interest)	<u>(9.22%)</u>

16. The Commission is mindful of the standards delineated in the Bluefield decision and of the need to balance the respective interests of the Company and of the consumer. It is incumbent upon this Commission to consider not only the revenue requirements of the Company but also the proposed price for the water and sewer service, the quality of the water and sewer service, and the effect of the proposed rates upon the consumer. See, Seabrook Island Property Owners Ass. v. S.C. Public Service Commission, Op. No. 23351 (Filed Feb. 25, 1991); S.C. Code Ann. §58-5-290 (1976).

The three fundamental criteria of a sound rate structure have been characterized as follows:

...(a) the revenue-requirement or financial-need objective, which takes the form of a fair-return standard with respect to private utility companies; (b) the fair-cost apportionment objective which invokes the principle that the burden of meeting total revenue requirements must be distributed fairly among the beneficiaries of the service; and (c) the optimum-use or consumer rationing under which the rates are designed to discourage the wasteful use of public utility services while promoting all use that is economically justified in view of the relationships between costs incurred and benefits received.

Bonbright, Principles of Public Utility Rates (1961), p.292.

17. Based on the consideration enunciated in Bluefield and Seabrook Island and on the fundamental criteria of a sound rate structure as stated in Principles of Public Utility Rates, the Commission determines that the Companies should have the opportunity to earn a 18.52% operating margin for combined operations. In order to have a reasonable opportunity to earn a

18.52% operating margin, the Company will need to produce \$205,136 in annual operating revenues.

TABLE C
OPERATING MARGIN

AFTER RATE INCREASE

Operating Revenues	\$205,136
Operating Expenses	163,148
Net Operating Income	\$ 41,988
Customer Growth	250
Total Income for Return	\$ 42,238
Operating Margin (After Interest)	<u>18.52%</u>

18. In fashioning rates to give the Companies the required amount of operating revenues so that it will have the opportunity to achieve a 18.52% operating margin, the Commission has carefully considered the concerns of the Companies customers. The Commission concludes that while an increase in rates is necessary, the proposed increase is unreasonable and inappropriate.

The Companies' proposal to increase its sewer charge to \$24.50 is found to be excessive and unreasonable by the Commission. To design the rates to earn the appropriate level of revenues, the Commission concludes that the residential monthly sewer charge should be \$20.00 per month per single family house, condominium, villa, or apartment unit. As to the commercial rate for sewer service, the Commission concludes that a minimum \$20.00 per month should be charged. This charge would be applicable to the first 10,500 gallons, and \$1.40 per 1,000 gallon excess usage would then be charged, using the DHEC wastewater unit load allocation. With regard to tap fees, the Commission herein re-adopts the tap fees

established for the Fripp system and the Harbor system in Order Nos. 84-890 and 84-210, respectively.

19. Based on the above considerations and reasoning, the Commission hereby approves the rates and charges as stated in this Order and attached hereto as Appendix A as being just and reasonable. The rates and charges approved are designed in such a manner in which to produce and distribute the necessary revenues to provide the Companies the opportunity to earn the approved operating margin.

20. Accordingly, it is ordered that the rates and charges attached on Appendix A are approved for service rendered on or after July 1, 1991. The rate schedule is hereby deemed to be filed with the Commission pursuant to S.C. Code Ann. §58-5-240 (1976), as amended.

21. It is further ordered that should the approved schedule not be placed into effect until three (3) months after the effective date of this Order, the approved schedule shall not be charged without written permission of the Commission. It is further ordered that the Companies maintain their books and records for water and sewer operations in accordance with the NARUC Uniform System of Accounts for Class A and B water and sewer utilities, as adopted by this Commission.

22. It is further ordered that the Fripp and Harbor Island systems are hereby allowed to consolidate.

23. It is further ordered that the Companies may bill Beach Club Villas as a regime rather than billing individual condominium

owners.

24. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

FRIPP ISLAND SEWER SYSTEMS, INC.

Docket No. 90-560-S AND DOCKET No.90-559-S Order No. 91-413
May 31, 1991
Appendix A

MONTHLY SEWER CHARGE

Residential	-	\$20.00
Commercial	-	\$20.00 min for 10,500 gal * \$ 1.40 per 1,000 gal excess usage

* Sewage flow is determined by using DHEC wastewater unit load allocation.

TAP FEES

*Fripp Island

Residential	-	\$800.00
Commercial	-	\$200.00 per toilet

*Approved by Order No. 84-890, filed under Docket NO. 84-55-S, dated Oct. 30, 1984.

**Harbor Island

Residential	-	\$500.00
RV & Trailer Park	-	\$250.00/pad

Commercial: Water supplied through
1" - 1 1/2" Meter - \$850.00

**Approved by Order No. 84-210, filed under Docket NO. 83-320-W/S dated Mar. 14, 1984.